

COMPANY REGISTRATION NUMBER: 03677408

*Final Signed Accounts
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Marmalade Game Studio Limited

Financial Statements

For the year ended

31 December 2022

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Marmalade Game Studio Limited

Financial Statements

Year ended 31 December 2022

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Marmalade Game Studio Limited

Officers and Professional Advisers

The board of directors

P Gardner (Resigned 4 May 2022)
C Mereuta
M Willis

Company secretary

F Shek

Registered office

33 Charlotte Street
London
England
W1T 1 RR

Auditor

Streets Audit LLP
Chartered accountants & statutory auditor
Building 15, Gateway 1000
Arlington Business Park
Stevenage
Hertfordshire
SG1 2FP

Marmalade Game Studio Limited

Strategic Report

Year ended 31 December 2022

We aim to present a balanced and comprehensive review of the development and performance of the business during the year and its position at the year end. Our review is consistent with the size and non-complex nature of the business and is written in the context of the risks and uncertainties we face. At Marmalade Game Studio Limited we are proud to deliver high quality social experiences with games that connect people wherever they are.

During the comparative year the entire share capital of the company was purchased by Project Bridgerton Bidco Limited.

Key Performance Indicators

We consider our key performance indicators are those that communicate the financial performance of the company as a whole being turnover and gross profit percentage.

Turnover for the year was comparable to the prior year at £10.1m (2021 £10.4m). The gross profit percentage was 74.2% compared to 79.4% in 2021.

Future Developments

In spite of a difficult climate for the video games industry, Marmalade continues to make progress. The team plans to achieve growth through developing new titles, continuing platform expansion and evolving the monetisation and social aspects of the games it produces.

With three new high profile titles coming out in 2023, as well as several platform releases lined up for the year, Marmalade is projecting significant revenue growth. Several of these new launches are of high strategic importance, representing new relationships with distribution platforms or licensing partners, thus increasing the diversity and breath of the Marmalade portfolio.

At the core of the company's ethos sits an uncompromising ambition to improve, grow and evolve. Marmalade has seen great success with its premium monetisation model, but we see more opportunities in iterating this model and adding a layer of live-ops features to our games. This model has a great track record within free to play, but we believe it will be just as lucrative when applied to our more premium portfolio. We are investing heavily in data and product, which will provide a healthy understanding of our user base and enable us to cater our features to specific user behaviours.

Principal Risks and Uncertainties

Given the challenges faced by the overall industry, especially in the free to play segment of the market, Marmalade is in a relatively robust position. Operating a premium+ model and leveraging the brand equity of some of the most popular board games in the world, we are well placed to both navigate the storm and to benefit from the changes brought about by new regulation. We recognise the following risks:

Recession

The current economic crisis is putting a strain on people's finance and leisure and entertainment budgets are suffering as a consequence. Our games are priced competitively and we are regularly reviewing and adjusting the price points to maximise conversion. We also benefit from a good faith advantage by being premium, because people have learnt that free to play games are riddled with consumables and aggressive in app purchases. In contrast, Marmalade games are seen as fair and ethical, with many users happy to purchase them.

Marmalade Game Studio Limited

Strategic Report *(continued)*

Year ended 31 December 2022

Regulation changes

The last couple of years have brought an increased level of scrutiny for our industry. A series of privacy laws and restrictions came into effect in an effort to stop abusive monetisation practices and to offer protection to underage users. We have been working with ESRB to obtain privacy certifications for our games and we are complying with the legislation. Our user acquisition leverages our brands and isn't reliant on tracking users or their devices. As such, our marketing efforts aren't taking the hit that our free to play competitors are suffering. There is the potential to even benefit from less competition on the ad platforms, but it's difficult to quantify at this stage.

Employee Retention

Marmalade ability to attract and retain employees is an important aspect of our continue growth. There are recruitment challenges experienced by the video games industry and we have been able to grow our development team under these challenging times by focusing on professional development, training and flexibility working to retain and attract employees.

Usually boasting near perfect staff retention rates, Marmalade has been affected by the overall recruitment challenges experienced by the rest of the market. Industry reports show a significant number of open roles, particularly in code and UI/UX, that stay open for 6+ months. We are competing with everyone else for a very small pool of applicants and we have had to increase our salaries in order to attract new staff and to keep our current employees.

Banking changes

The group have banking facilities with Silicon Valley Bank, after the year end the bank was taken over by HSBC.

Financial Risk Management Objectives and Policies

The company's activities expose it to a number of financial risks including currency risk and liquidity risk.

Currency risk

The company minimises its risk to foreign currency fluctuations by invoicing and purchasing in sterling where possible and where not by balancing as far as possible sales and purchases in matching foreign currency.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. Short-term flexibility is achieved by borrowings from our parent undertaking and its shareholders. This will give the company the necessary financial backing to carry out its intended plans and properly finance the ongoing operations of the business.

Marmalade Game Studio Limited

Strategic Report *(continued)*

Year ended 31 December 2022

Financial Key performance indicators

The board approves an annual budget for the following year and monitors performance on a monthly basis, both against that budget and a comparison to the prior year. Management accounts are prepared on a monthly basis and these included a detailed profit and loss accounts, balance sheet and appropriate key performance indicators as noted above.

This report was approved by the board of directors on 23/05/23 and signed on behalf of the board by:



M Willis
Director

Registered office:
33 Charlotte Street
London
England
W1T 1 RR

Marmalade Game Studio Limited

Directors' Report

Year ended 31 December 2022

The directors present their report and the financial statements of the company for the year ended 31 December 2022.

Directors

The directors who served the company during the year were as follows:

C Mereuta

M Willis

P Gardner

(Resigned 4 May 2022)

Dividends

The directors do not recommend the payment of a dividend.

Research and development

During the year the company incurred £873,126 (2021 - £920,074) on research and development.

Disclosure of information in the strategic report

The company has chosen to set out in the strategic report information about the future developments of the company and the financial instruments.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Marmalade Game Studio Limited

Directors' Report *(continued)*

Year ended 31 December 2022

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on 23/05/23 and signed on behalf of the board by:



M Willis
Director

Registered office:
33 Charlotte Street
London
England
W1T 1 RR

Marmalade Game Studio Limited

Independent Auditor's Report to the Members of Marmalade Game Studio Limited

Year ended 31 December 2022

Opinion

We have audited the financial statements of Marmalade Game Studio Limited (the 'company') for the year ended 31 December 2022 which comprise the income statement, statement of financial position, statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Marmalade Game Studio Limited

Independent Auditor's Report to the Members of Marmalade Game Studio Limited (continued)

Year ended 31 December 2022

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Marmalade Game Studio Limited

Independent Auditor's Report to the Members of Marmalade Game Studio Limited (continued)

Year ended 31 December 2022

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the company and sector in which it operates;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and employment legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 3 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

Marmalade Game Studio Limited

Independent Auditor's Report to the Members of Marmalade Game Studio Limited (continued)

Year ended 31 December 2022

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators and the company's legal advisors.

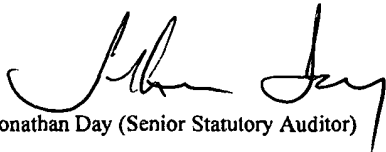
There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Jonathan Day (Senior Statutory Auditor)

For and on behalf of
Streets Audit LLP
Chartered accountants & statutory auditor
Building 15, Gateway 1000
Arlington Business Park
Stevenage
Hertfordshire
SG1 2FP

9 June 2023

Marmalade Game Studio Limited

Income Statement

Year ended 31 December 2022

	Note	2022 £	2021 £
Turnover	4	10,121,326	10,406,082
Cost of sales		<u>(2,700,337)</u>	<u>(2,145,966)</u>
Gross profit		7,420,989	8,260,116
Administrative expenses:			
Non-executive costs		(396,076)	(134,601)
Depreciation		(41,160)	(20,505)
Other costs		(5,416,515)	(5,159,630)
Share based payments		—	(16,656)
		<u>(5,853,751)</u>	<u>(5,331,392)</u>
Operating profit	5	1,567,238	2,912,068
Interest payable and similar expenses	8	<u>(100,725)</u>	<u>(255,764)</u>
Profit before taxation		1,466,513	2,656,304
Tax on profit	9	<u>597,303</u>	<u>(85,850)</u>
Profit for the financial year		<u>2,063,816</u>	<u>2,570,454</u>

All the activities of the company are from continuing operations.

The company has no other recognised items of income and expenses other than the results for the year as set out above.

The notes on pages 15 to 24 form part of these financial statements.

Marmalade Game Studio Limited

Statement of Financial Position

31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	10	114,340	1
Tangible assets	11	125,296	60,642
Investments	12	<u>561,651</u>	<u>561,651</u>
		801,287	622,294
Current assets			
Debtors	13	4,250,747	2,733,207
Cash at bank and in hand		<u>2,090,064</u>	<u>1,050,530</u>
		6,340,811	3,783,737
Creditors: amounts falling due within one year	14	<u>3,118,218</u>	<u>1,445,704</u>
Net current assets		<u>3,222,593</u>	<u>2,338,033</u>
Total assets less current liabilities		<u>4,023,880</u>	<u>2,960,327</u>
Creditors: amounts falling due after more than one year	15	<u>—</u>	<u>1,000,000</u>
Net assets		<u>4,023,880</u>	<u>1,960,327</u>

The statement of financial position
continues on the following page.
The notes on pages 15 to 24 form part of these financial statements.

Marmalade Game Studio Limited

Statement of Financial Position *(continued)*

31 December 2022

	Note	2022 £	2021 £
Capital and reserves			
Called up share capital	18	877,968	877,991
Share premium account	19	22,492,675	22,492,915
Other reserves, including the fair value reserve	19	613	613
Profit and loss account	19	(19,347,376)	(21,411,192)
Shareholders funds		4,023,880	1,960,327

These financial statements were approved by the board of directors and authorised for issue on 23/05/23 and are signed on behalf of the board by:



M Willis
Director

Company registration number: 03677408

The notes on pages 15 to 24 form part of these financial statements.

Marmalade Game Studio Limited

Statement of Changes in Equity

Year ended 31 December 2022

	Called up share capital £	Share premium account £	Other reserves, including the fair value reserve £	Profit and loss account £	Total £
At 1 January 2021	803,991	22,002,915	613	(23,998,303)	(1,190,784)
Profit for the year	—	—	—	2,570,454	2,570,454
Total comprehensive income for the year	—	—	—	2,570,454	2,570,454
Equity-settled share-based payments	—	—	—	16,657	16,657
Exercise of options, rights and warrants	74,000	490,000	—	—	564,000
Total investments by and distributions to owners	74,000	490,000	—	16,657	580,657
At 31 December 2021	877,991	22,492,915	613	(21,411,192)	1,960,327
Profit for the year	—	—	—	2,063,816	2,063,816
Total comprehensive income for the year	—	—	—	2,063,816	2,063,816
Cancellation of subscribed capital	(23)	—	—	—	(23)
Redemption of shares	—	(240)	—	—	(240)
Total investments by and distributions to owners	(23)	(240)	—	—	(263)
At 31 December 2022	877,968	22,492,675	613	(19,347,376)	4,023,880

The notes on pages 15 to 24 form part of these financial statements.

Marmalade Game Studio Limited

Notes to the Financial Statements

Year ended 31 December 2022

1. General information

The company is a private company limited by shares, incorporated in the United Kingdom, registered in England and Wales. The address of the registered office is 33 Charlotte Street, London, W1T 1RR, England.

The principal activity of the company during the year was that of ready made interactive leisure and entertainment software development.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Project Bridgerton Bidco Limited which can be obtained from Companies House. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) Disclosures in respect of share-based payments have not been presented.
- (e) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The entity has taken advantage of the exemption from preparing consolidated financial statements contained in Section 400 of the Companies Act 2006 on the basis that it is a subsidiary undertaking and its immediate parent undertaking is established under the law of the UK.

Marmalade Game Studio Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are detailed in revenue recognition policy note, investment, employee share option, intangible assets and creditors due after one year notes to the financial statements and are as follows:

Principal vs agent assessment

Management assesses the contractual agreements with its distributors and customers to establish whether the agreement constitutes a principal or an agency arrangement. This is a material judgement as the disclosure of revenue is significantly different. The company considers that online retailers are its customers as the company has no direct contact with the end users and once a product is provided to an online retailer (upon release) the company has satisfied all performance obligations associated with the agreements with these parties.

Where the company has acted as agent, income is recognised as net commissions received.

Capitalisation of Development costs

Management reviews development costs and where the criteria as per section 18 of FRS102 is met, the development costs are capitalised as intangible assets. Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

1) Depreciation and amortisation charges

The annual depreciation and amortisation charge for each class of tangible and intangible asset is based on an estimate of the useful economic life of the respective assets. This is reviewed periodically by the directors to ensure that they reflect both the external and internal factors.

Marmalade Game Studio Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2022

3. Accounting policies (continued)

Revenue recognition

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding Value Added Tax.

Royalties are accounted for in the period in which they are earned.

Product development income is recognised as contract activity progresses to reflect milestones achieved during the year. Amounts received in advance are carried forward until recognised as turnover.

Licence sales are recognised over the course of the licensing agreement.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all material timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses.

Marmalade Game Studio Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2022

3. Accounting policies (continued)

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Development costs - 33% straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Plant and machinery - 25 - 33% Straight line

Fixtures and fittings - 50% Straight line

Financial instruments

The company holds basic financial instruments as defined in FRS102. The financial assets and financial liabilities of the company and their measurement basis are as follows:

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost. Prepayments are not financial instruments. Cash at bank is classified as a basic financial instrument and is measured at amortised cost.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost. Taxation and social security are not included in the financial instruments disclosure definition.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

4. Turnover

Turnover arises from:

	2022	2021
	£	£
Sale of goods	<u>10,121,326</u>	<u>10,406,082</u>

Marmalade Game Studio Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

4. Turnover *(continued)*

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Operating profit

Operating profit or loss is stated after charging/crediting:

	2022	2021
	£	£
Depreciation of tangible assets	41,160	20,505
Foreign exchange differences	(68,184)	62,139
Fees payable for the audit of the financial statements	<u>15,000</u>	<u>7,000</u>

6. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2022	2021
	No.	No.
Administrative staff	63	56
Management staff	<u>4</u>	<u>4</u>
	<u>67</u>	<u>60</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2022	2021
	£	£
Wages and salaries	2,915,492	2,574,082
Social security costs	436,568	344,198
Other pension costs	<u>103,346</u>	<u>93,880</u>
	<u>3,455,406</u>	<u>3,012,160</u>

7. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2022	2021
	£	£
Remuneration	514,468	661,128
Company contributions to defined contribution pension plans	<u>24,980</u>	<u>17,737</u>
	<u>539,448</u>	<u>678,865</u>

Remuneration of the highest paid director in respect of qualifying services:

	2022	2021
	£	£
Aggregate remuneration	200,000	325,428
Company contributions to defined contribution pension plans	<u>10,000</u>	<u>8,707</u>
	<u>210,000</u>	<u>334,135</u>

Marmalade Game Studio Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2022

8. Interest payable and similar expenses

	2022	2021
	£	£
Other interest payable and similar charges	<u>100,725</u>	<u>255,764</u>

9. Tax on profit

Major components of tax (income)/expense

	2022	2021
	£	£
Current tax:		
UK current tax income	(432,308)	(284,247)
Adjustments in respect of prior periods	<u>(164,995)</u>	<u>338,124</u>
Total UK current tax	<u>(597,303)</u>	<u>53,877</u>
Foreign current tax expense	–	31,973
Total current tax	<u>(597,303)</u>	<u>85,850</u>
Tax on profit	<u>(597,303)</u>	<u>85,850</u>

Reconciliation of tax (income)/expense

The tax assessed on the profit on ordinary activities for the year is lower than (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022	2021
	£	£
Profit on ordinary activities before taxation	<u>1,466,513</u>	<u>2,656,304</u>
Profit on ordinary activities by rate of tax	278,637	504,698
Adjustment to tax charge in respect of prior periods	<u>(164,995)</u>	<u>338,124</u>
Effect of expenses not deductible for tax purposes	8,362	18,564
Effect of capital allowances and depreciation	<u>(18,531)</u>	<u>(4,010)</u>
Utilisation of tax losses	<u>(268,468)</u>	–
Unused tax losses	–	18,711
Foreign tax	–	31,973
Exercise of share options	–	(331,231)
Other tax adjustment to increase tax liability	–	(12,696)
Research and development tax credits	–	(3,582)
Video game tax credits	<u>(432,308)</u>	<u>(474,701)</u>
Tax on profit	<u>(597,303)</u>	<u>85,850</u>

Factors that may affect future tax income

The company has estimated tax losses of £20m (2021 - £23m) available to carry forward against future trading profits. No provision has been made for a deferred tax asset in respect of the carried forward losses as it is uncertain as to when these may be utilised.

Marmalade Game Studio Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2022

10. Intangible assets

	Development costs £
Cost	
At 1 January 2022	106
Additions	114,339
At 31 December 2022	114,445
Amortisation	
At 1 January 2022 and 31 December 2022	105
Carrying amount	
At 31 December 2022	114,340
At 31 December 2021	1

11. Tangible assets

	Plant and machinery £	Fixtures and fittings £	Total £
Cost			
At 1 January 2022	97,016	7,795	104,811
Additions	105,814	–	105,814
At 31 December 2022	202,830	7,795	210,625
Depreciation			
At 1 January 2022	36,374	7,795	44,169
Charge for the year	41,160	–	41,160
At 31 December 2022	77,534	7,795	85,329
Carrying amount			
At 31 December 2022	125,296	–	125,296
At 31 December 2021	60,642	–	60,642

12. Investments

	Shares in group undertakings £
Cost	
At 1 January 2022 and 31 December 2022	875,010
Impairment	
At 1 January 2022 and 31 December 2022	313,359
Carrying amount	
At 31 December 2022	561,651
At 31 December 2021	561,651

Marmalade Game Studio Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2022

12. Investments (continued)

Subsidiaries, associates and other investments

Subsidiary undertakings	Registered office	Class of share	Percentage of shares held
MGS 2019 Limited	33 Charlotte Street, London, England W1T 1RR	Ordinary	100
MGS 2019 Limited is a dormant company.			

13. Debtors

	2022	2021
	£	£
Trade debtors	18,979	202
Amounts owed by group undertakings	1,273,936	564,000
Prepayments and accrued income	1,855,493	1,683,963
Corporation tax repayable	1,039,903	288,213
Directors loan account	30	—
Other debtors	62,406	196,829
	<u>4,250,747</u>	<u>2,733,207</u>

14. Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	88,071	93,416
Amounts owed to group undertakings	561,562	561,652
Accruals and deferred income	1,081,535	644,047
Social security and other taxes	233,167	94,972
Amounts due to shareholders of the parent company	1,125,725	25,000
Other creditors	28,158	26,617
	<u>3,118,218</u>	<u>1,445,704</u>

Amounts owed to ultimate shareholders of the group are unsecured.

15. Creditors: amounts falling due after more than one year

	2022	2021
	£	£
Amounts due to shareholders in parent company	—	1,000,000

The debenture loan was fully repaid in the year.

Amounts owed to ultimate shareholders of the group are unsecured.

Marmalade Game Studio Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2022

16. Share based payments

As a means of motivating and retaining key staff, the company had established an enterprise incentive option scheme agreement where options to purchase shares have been granted to certain employees. In accordance with FRS102 the directors had valued these options and were recognising this cost when the services have been provided. The impact on these financial statements in the comparative period was an increase in costs of £16,656. The directors consider it appropriate to disclose share based payments separately on the face of the income statement on the basis it is considered relevant to an understanding of the financial performance of the company, accordingly the costs were included on the face of the Income Statement. The scheme was closed in the comparative year.

17. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £103,346 (2021: £93,880).

18. Called up share capital

Issued, called up and fully paid

	2022		2021	
	No.	£	No.	£
Ordinary Class A shares of £0.01 each	83,614	836	83,614	836
Ordinary Class B shares of £0.01 each	87,665,473	876,655	87,665,473	876,655
Ordinary Class D shares of £0.01 each	50,000	500	50,000	500
	<u>87,799,087</u>	<u>877,991</u>	<u>87,799,087</u>	<u>877,991</u>

All shares rank pari passu.

19. Reserves

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account - This reserve records retained earnings and accumulated losses.

20. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2022	2021
	£	£
Not later than 1 year	443,758	362,608
Later than 1 year and not later than 5 years	930,276	14,755
	<u>1,374,034</u>	<u>377,363</u>

Marmalade Game Studio Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

21. Charges on assets

The company has provided a cross guarantee to Silicon Valley Bank and to LDC (Managers Limited) for the ultimate parent undertaking.

22. Directors' advances, credits and guarantees

During the year the company paid for costs on behalf of a director totalling £30. No interest has been charged and the amount is repayable on demand.

23. Related party transactions

In the comparative year the shareholder directors received consideration from the disposal of their shares. This was received in their capacity as shareholders, not directors. M Willis received consideration made up of cash £45,754 loan notes £870,939 and 25,000 class B shares. C Mereuta received consideration made up of cash £47,180, loan notes £701,187 and 20,168 class B shares.

24. Controlling party

On 23 September 2021 the whole share capital was purchased by Project Bridgerton Bidco Limited. From this date the company's immediate and ultimate parent company was Project Bridgerton Bidco Limited, a company incorporated in England and Wales.

The smallest group in which the results of the company are consolidated is Project Bridgerton Bidco Limited. Copies of the consolidated financial statements of Project Bridgerton Bidco Limited are available from Companies House.

The Directors consider do not consider there to be an individual ultimate controlling party.